

BEFORE THE
POSTAL REGULATORY COMMISSION
WASHINGTON, DC 20268-0001

Competitive Product Prices
Global Expedited Package Services 6 (MC2016-149)
Negotiated Service Agreement

Docket No. CP2016-261

PUBLIC REPRESENTATIVE COMMENTS ON POSTAL SERVICE NOTICE
CONCERNING ADDITIONAL GLOBAL EXPEDITED PACKAGE SERVICES 6
NEGOTIATED SERVICE AGREEMENT

(August 24, 2016)

I. INTRODUCTION

The Public Representative hereby provides comments pursuant to the Commission Notice initiating this docket.¹ In that Notice, the Commission established the above referenced docket to receive comments from interested persons, including the undersigned Public Representative, on a Postal Service Notice of filing an additional Global Expedited Package Services 6 (GEPS 6) negotiated service agreement (Request).²

On August 17, 2016 the Postal Service also filed USPS-LR-CP2016-261/NP1, which is titled "Revisions to ISAL IPA Model15_v.xls and ISC Dropship Model FY15.xls Resulting from Corrections to FY 2015 IOCS ISAL and IPA Coding" (Library Reference).

The Agreement is expected to remain in effect for one calendar year from the effective date, subject to early termination provisions. *Id.*

The Postal Service states that the Agreement is functionally equivalent in all pertinent respects to the baseline GEPS 6 agreement and is in compliance with the

¹ PRC Notice Initiating Docket(s) for Recent Postal Service Negotiated Service Agreement Filings, August 17, 2016 (Notice).

² Notice of United States Postal Service of Filing a Functionally Equivalent Global Expedited Package Services 6 Negotiated Service Agreement and Application for Non-Public Treatment of Materials Filed Under Seal, August 16, 2016 (Request).

requirements of 39 U.S.C. § 3633. Request at 4. The Postal Service therefore requests that the Agreement be added to the GEPS 6 product grouping. *Id.*

II. COMMENTS

The Public Representative has reviewed the Postal Service's Notice, the Agreement, the financial model filed under seal and USPS-LR-CP2016-261/NP1. Based upon that review, the Public Representative concludes that the Agreement is functionally equivalent to the baseline agreement. In addition, it appears that the Agreement should meet the requirements of 39 U.S.C. § 3633(a).

Functional Equivalence. The Postal Service asserts that the Agreement shares similar cost and market characteristics as those of the contract that is the subject of Docket No. CP2016-188, which serves as the baseline agreement for the GEPS 6 product grouping. *Id.* at 3. However, the Postal Service identifies differences between the Agreement and the GEPS 6 baseline agreement. *Id.* at 4-7. These differences are similar to those included in other GEPS 6 agreements.³

The Public Representative concludes that the Agreement exhibits similar cost and market characteristics to the baseline agreement. Therefore, the Public Representative agrees that the Agreement is functionally equivalent to the baseline agreement and should be added to the GEPS 6 product.

39 U.S.C. § 3633. Pursuant to 39 U.S.C. § 3633(a), the Postal Service's competitive prices must not result in the subsidization of competitive products by market dominant products; ensure that each competitive product will cover its attributable costs; and, ensure that all competitive products collectively contribute an appropriate share of the institutional costs of the Postal Service.

The financial model shows that the Agreement will have a cost coverage that exceeds 100 percent. However, the financial model does not show the cost coverage impact on the addition of the Agreement to the GEPS 6 product. Because the Agreement's cost coverage is above 100 percent, the addition of the Agreement to the

³ See e.g., Docket No. CP2016-251, Notice of United States Postal Service of Filing a Functionally Equivalent Global Expedited Package Services 6 Negotiated Service Agreement and Application for Non-Public Treatment of Materials Filed Under Seal, August 4, 2016, at 3-6.

GEPS 6 product will not likely cause the GEPS 6 product's cost coverage to fall below 100 percent. In addition, the addition of the Agreement to the GEPS 6 product should not prohibit competitive products as a whole from complying with 39 U.S.C. § 3633(a)(1) and 39 U.S.C. § 3633(a)(3).

Library Reference. One day after filing its Request, the Postal Service filed USPS-LR-CP2016-261/NP1 under seal. The Public Representative reviewed the revisions contained in the Library Reference. However, with the limited review period associated with competitive NSAs, the Public Representative is unable to comment on the merits of revisions made to the files contained within the Library Reference. The changes in the Library Reference impact the inputs to the financial model, therefore the Public Representative suggests that the Library Reference be reviewed in a separate docket to ensure that the changes are adequately reviewed.⁴

The Public Representative conducted a simple sensitivity analysis, and determined that the Agreement is likely to meet the requirements of 39 U.S.C. § 3633(a) using both the original inputs and the inputs as revised by the Library Reference.

The Public Representative respectfully submits the foregoing comments for the Commission's consideration.

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⁴ The Postal Service is also referencing this Library Reference in other dockets. See e.g., Docket No. CP2016-265.